

VZCZCXYZ0004
PP RUEHWEB

DE RUEHBO #3786/01 2901552
ZNY CCCCC ZZH
P 161552Z OCT 08 ZDK
FM AMEMBASSY BOGOTA
TO RUEHC/SECSTATE WASHDC PRIORITY 5090
INFO RUEHBR/AMEMBASSY BRASILIA PRIORITY 8439
RUEHCV/AMEMBASSY CARACAS PRIORITY 1196
RUEHLP/AMEMBASSY LA PAZ OCT 9716
RUEHPE/AMEMBASSY LIMA PRIORITY 6658
RUEHZP/AMEMBASSY PANAMA PRIORITY 2519
RUEHQT/AMEMBASSY QUITO PRIORITY 7350
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

C O N F I D E N T I A L BOGOTA 003786

SENSITIVE
SIPDIS

WHA/AND RMERRIN
WHA/EPSC MROONEY

E.O. 12958: DECL: 10/16/2018
TAGS: [ETRD](#) [ECON](#) [ECIN](#) [PREL](#) [CO](#) [VE](#)
SUBJECT: COLOMBIAN TRADE OFFICIALS FRUSTRATED OVER
CONTINUED VENEZUELAN FOOT-DRAGGING

REF: CARACAS 1428

Classified By: Econ Counselor Lawrence J. Gumbiner for reasons 1.4(b)(d)
)

11. (C) SUMMARY. The October 17 ministerial that the GOC had hoped would smooth over testy Colombian/Venezuelan ties -- a follow-up to the July 11 Uribe-Chavez summit -- has devolved into a vague working lunch between foreign ministers at the BRV's insistence. On trade Colombia had sought to come out of the encounter with the outline of a post-CAN trade agreement and the guarantee of a larger import quota for Colombian automobiles. They are unlikely to , advance either goal. Amid growing Colombian business community fears that declining oil prices will affect Venezuela's ability to purchase Colombian exports, GOC officials have expressed private frustration at what they perceive as a lack of Venezuelan seriousness in moving forward on trade issues. The format of the upcoming meeting only serves to reinforce such frustration. END SUMMARY.

A DIMINISHED MEETING LONG IN THE WORKS

12. (C) Almost 100 days after a July 11 commitment by Presidents Uribe and Chavez to have their respective cabinets meet within two months, only the foreign ministers (and other sub-Cabinet level officials) will meet in Caracas on Friday, October 17, to define next steps in the bilateral relationship. The trade relationship, which the GOC had wanted to put at the forefront of the discussion, has been met by Venezuelan indifference according to our Bogota contacts. The different vision was apparent from the outset of the planning for the meeting. Venezuela's Commercial Counselor, Eduardo Delgado, told us that Venezuela was never intent on seeking major results--viewing the meeting more as a chance for political posturing than concrete achievements. While Colombia pushed to include a broad agenda involving various ministers over two or three days, Delgado explained, the Venezuelans offered up "a half-day and lunch." The Venezuelans appear to have won the day both on length and constitution of the delegations. As a source of continued GOC frustration, Minister of Trade Luis Guillermo Plata will be stymied again in efforts to sit down with his Venezuelan counterpart, who has still not agreed to a meeting despite repeated Colombian requests.

GOC SEEKING CLEAR RULES OF THE GAME

¶3. (U) Venezuela is Colombia's second largest export market (after the U.S.) and its largest market for non-traditional and manufactured exports. The GOC had hoped to use the October 17 meeting to advance talks over the post-Andean Community of Nations (CAN) bilateral trade regime in the wake of the BRV's 2006 withdrawal. Venezuela is bound by its CAN commitments for five years from the date of withdrawal, and GOC officials are nervous over delayed discussions over what a post-CAN regime would look like.

¶4. (SBU) Vice Minister of Trade Eduardo Munoz said that both countries have thus far been successful in preventing diplomatic and political differences from affecting bilateral trade, but that "we need rules of the game for the future." Munoz believes that the closer they get to the end of the five-year period, the less willing Venezuela will be to negotiate, making progress on an agreement of immediate importance to the GOC. Some have suggested basing the accord on each country's commitments under the Latin American Integration Association (ALADI), and going further to include services and investment. Other items on Colombia's agenda are a double-taxation treaty and an agreement on customs regulations that would allow one country's goods destined for the domestic market to transit the other country.

"WHAT CHAVEZ WANTS"

¶5. (C) Following the Venezuelan decision to impose quotas on automobile imports from the entire world as part of an endogenous growth strategy, Colombian auto exports to

Venezuela for the first semester of 2008 dropped 63 percent compared to the same period in 2007. An estimated 1,300 jobs have been lost in Colombia as a result. Alfredo Ramos, Director of Economic Integration at the Ministry of Trade, said that the GOC had hoped to use the October 17 meeting to request an increase in its automobile quota (currently less than 16,000), but acknowledged Colombia's weak negotiating position. "It all comes down to what Chavez wants, which at this point, we really don't know," said Ramos. Delgado dismissed the notion that the BRV would move on the quota issue.

VENEZUELAN RISKS CONCERN COLOMBIAN BUSINESS COMMUNITY

¶6. (U) At an October 15 conference entitled "New Scenarios and Risks in the Colombian-Venezuelan Market," Colombian-Venezuelan Chamber of Commerce President Maria Luisa Chiappe offered the packed conference hall an outline of the bilateral trade relationship. Colombian exports to Venezuela grew by 95 percent in 2007 over the previous year. Chiappe said 2007 was an outlier and estimated 3.4 percent growth for this year. For some time, a major irritant in the bilateral trade arena has been the delays in payments to Colombian exporters due to the arduous, bureaucratic process to secure foreign exchange in Venezuela. According to Chiappe, these delays have diminished in recent weeks.

¶7. (U) Chiappe also pointed out four specific risks Colombian exporters to Venezuela face. First, the risk of greater direct trade restrictions, either in the form of import quotas or a stricter import licensing regime. Second, in what Chiappe called "discretionary competition" Venezuela could authorize imports from ideologically friendly countries to take advantage of the official exchange rate (2.15 bolivars per dollar) while forcing a greater portion of imports from Colombia to use the unofficial rate (currently about 5 bolivar per dollar). Third, a devaluation, either explicitly through the official exchange rate or implicitly by shifting a greater portion of foreign exchange to the parallel market to the prejudice of Colombian exports. Finally, Chiappe voiced concern over the impact a decline in oil prices would have on Venezuela's ability to buy Colombian goods, particularly as decreased income forces the BRV to choose between domestic spending and imports (reftel).

COMMENT: YOU CAN'T CHANGE YOUR NEIGHBORS

18. (C) GOC trade officials bristle at the impact Chavez's whims can have on the Colombian economy. As global economic storm clouds mount, the GOC had hoped to engage the BRV in a detailed and serious discussion of how to stabilize the economic relationship and calm its nervous business community. That their seriousness has not been reciprocated represents, for the GOC, further confirmation of the urgency of diversifying export markets. Unfortunately there is no short-term solution, and for the time being, the GOC is forced to accept the reality of being joined economically at the hip of its mercurial neighbor.

BROWNFIELD